

2. A few decades ago, when the social security program was in its infancy, there was a considerable amount of attention given to the similarities and differences between a social and private insurance program. It was pointed out that benefit formulas in relation to payments by the individuals bore a closer individual actuarial proportionality in a private than in the social insurance system. That is, the approximation to actuarial equivalence in a private system not only exists in the aggregate but also on a class-by-class basis in the insurance program. Some people argued that there should be actuarial soundness in the aggregate but the approximation need not be very close among the classes. For example, it was a part of the specific planning in the benefit structure in social insurance that those who had worked a short time to achieve full coverage would, on the average, stand to receive more benefits per dollar of contribution than would be received by a person who was covered for a much longer period. Similarly, a person whose average income was twice that of another would not receive benefits in the same proportion.

The gradual changes that have taken place in social security benefits, contribution rates, and the time of achievement of full coverage, when coupled with retirement benefits earned through private pension plans, may result in net yield of benefits in relation to contributions that would be inconsistent with the criteria established as the foundation. More specifically, a given social insurance program may be based in its benefit structure on a very reasonable set of criteria. Goals may be consistent with modern social philosophy. A similar statement may exist for other types of social programs administered by the Government, such as welfare programs. Private pension plans may also be based on criteria considered reasonable by those who negotiated the agreement. The difficulty may arise, however, when these programs are combined into a conglomerate for the individuals concerned. Progressive versus regressive effects should be analyzed. Studies should, therefore, be made to ascertain whether or not an undesirable disparity exists, and if so, an indicated solution should be forthcoming. Such an analysis must presuppose the existence of criteria to serve as a foundation for evaluating a total system instead of treating social and private pension plans as though only one type existed.

This idea definitely does not contemplate the suggestion that there should be contractual or statutory dependencies existing in one program with respect to another, but, rather, the planning in one sphere should be based on the assumption that other programs are in existence and will continue.

3. The social security program was born in an atmosphere of economic depression and a general lack of confidence in our total social and economic system. Unemployment was widespread and was especially injurious to those in the older age groups. The dole became socially unacceptable, and, therefore, the voting public was ripe for favorable action on a system that would provide retirement income to those who had completed several years of active employment. A benefit structure was designed that would be as high as possible in comparison with rates of contribution which had to supply the funds for the disbursements. Also, benefit payments were to be made as soon as possible with due regard being given to adequacy of the resources in the program.